

**REPORT OF THE AUDIT OF THE  
LOGAN COUNTY  
SHERIFF'S SETTLEMENT - 2003 TAXES**

**April 5, 2004**



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AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable John H. Guion III, Logan County Judge/Executive

Honorable Wallace Whittaker, Logan County Sheriff

Members of the Logan County Fiscal Court

The enclosed report prepared by Berger & Company, CPA, PSC, Certified Public Accountants, presents the Logan County Sheriff's Settlement - 2003 Taxes as of April 5, 2004.

We engaged Berger & Company, CPA, PSC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Company, CPA, PSC evaluated the Logan County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDIT OF THE  
LOGAN COUNTY  
SHERIFF'S SETTLEMENT - 2003 TAXES**

**April 5, 2004**





**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**LOGAN COUNTY**  
**SHERIFF'S SETTLEMENT - 2003 TAXES**

**April 5, 2004**

Berger & Company, CPA, PSC has completed the audit of the Sheriff's Settlement - 2003 Taxes for the Logan County Sheriff as of April 5, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$7,473,679 for the districts for 2003 taxes, retaining commissions of \$246,791 to operate the Sheriff's office. The Sheriff distributed taxes of \$7,224,292 to the districts for 2003 Taxes. Taxes of \$419 are due to the districts from the Sheriff and refunds of \$517 are due to the Sheriff from the taxing districts.

Report Comment:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Deposits:

The Sheriff's deposits were not insured and collateralized by bank securities or bonds.





## CONTENTS

## PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
SHERIFF'S SETTLEMENT – 2003 TAXES.....	3
NOTES TO FINANCIAL STATEMENT .....	5
COMMENT AND RECOMMENDATION .....	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	13





To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable John H. Guion III, Logan County Judge/Executive

Honorable Wallace Whittaker, Logan County Sheriff

Members of the Logan County Fiscal Court

### Independent Auditor's Report

We have audited the Logan County Sheriff's Settlement - 2003 Taxes as of April 5, 2004. This tax settlement is the responsibility of the Logan County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Logan County Sheriff's taxes charged, credited, and paid as of April 5, 2004, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2004, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable John H. Guion III, Logan County Judge/Executive  
Honorable Wallace Whittaker, Logan County Sheriff  
Members of the Logan County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink that reads "Berger + Company CPA PSC". The signature is written in a cursive, flowing style.

Berger & Company, CPA, PSC

Audit fieldwork completed -  
September 27, 2004

LOGAN COUNTY  
WALLACE WHITTAKER, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2003 TAXES

April 5, 2004

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 810,198	\$ 922,389	\$ 2,996,378	\$ 988,591
Tangible Personal Property	161,443	123,469	429,727	630,473
Intangible Personal Property				110,178
Fire Protection	2,307			
Increases Through Exonerations	31	32	100	37
Franchise Corporation	111,342	86,216	269,592	
Additional Billings	868	907	3,049	1,111
Oil and Gas Property Taxes	12	13	39	15
Limestone, Sand, and Mineral Reserves	277	292	1,432	338
Bank Franchises	81,454			
Penalties	5,391	5,980	19,077	8,240
Adjusted to Sheriff's Receipt	190	230	(1)	
Gross Chargeable to Sheriff	<u>\$ 1,173,513</u>	<u>\$ 1,139,528</u>	<u>\$ 3,719,393</u>	<u>\$ 1,738,983</u>
<u>Credits</u>				
Exonerations	\$ 4,133	\$ 4,486	\$ 15,454	\$ 5,004
Discounts	16,063	15,356	50,160	27,563
Delinquents:				
Real Estate	19,360	21,953	74,525	23,592
Tangible Personal Property	908	695	2,550	2,360
Intangible Personal Property				3,237
Supplemental Bills	184	197	609	230
Ombudsmen Refund				139
Uncollected Franchise	2,080	1,592	5,308	
Total Credits	<u>\$ 42,728</u>	<u>\$ 44,279</u>	<u>\$ 148,606</u>	<u>\$ 62,125</u>
Taxes Collected	\$ 1,130,785	\$ 1,095,249	\$ 3,570,787	\$ 1,676,858
Less: Commissions *	<u>48,346</u>	<u>46,548</u>	<u>80,343</u>	<u>71,554</u>
Taxes Due	\$ 1,082,439	\$ 1,048,701	\$ 3,490,444	\$ 1,605,304
Taxes Paid	1,082,062	1,048,429	3,489,239	1,604,562
Refunds (Current and Prior Year)	<u>406</u>	<u>435</u>	<u>1,530</u>	<u>323</u>
Due Districts or (Refund Due Sheriff)		**	***	
as of Completion of Fieldwork	<u>\$ (29)</u>	<u>\$ (163)</u>	<u>\$ (325)</u>	<u>\$ 419</u>

\*, \*\* And \*\*\* See Next Page

The accompanying notes are an integral part of this financial statement.

LOGAN COUNTY  
WALLACE WHITTAKER, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2003 TAXES  
April 5, 2004  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	3,892,892
2.25% on	\$	3,570,787

\*\* Special Taxing Districts:

Library District	\$	(15)
Health District		(5)
Extension District		(5)
Watershed District		(3)
Mud River District		<u>(135)</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>(163)</u></u>
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\*\*\* School Districts

County School	\$	(61)
City School		<u>(264)</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>(325)</u></u>
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LOGAN COUNTY  
NOTES TO FINANCIAL STATEMENT

April 5, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 31, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$185,833 of public funds uninsured and unsecured.

LOGAN COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 April 5, 2004  
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official at year-end.

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Collateralized with securities held by the county official's agent in the county official's name	525,474
Uncollateralized and uninsured	<u>185,833</u>
Total	<u>\$ 811,307</u>

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 16, 2003 through April 5, 2004.

Note 4. Interest Income

The Logan County Sheriff earned \$8,563 as interest income on 2003 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of September 27, 2004, the Sheriff was due interest refund of \$420 from the Logan County School District and owed \$230 in interest to the Russellville Independent School District.

Note 5. Sheriff's 10% Add-On Fee

The Logan County Sheriff collected \$31,602 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of September 27, 2004, the Sheriff owed \$1,326 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Logan County Sheriff collected \$3,990 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.



COMMENT AND RECOMMENDATION



LOGAN COUNTY  
WALLACE WHITTAKER, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

As of April 5, 2004

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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On December 31, 2003, \$185,833 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response:*

*None*

PRIOR YEAR:

The following comment was reported in the prior year, but has been corrected.

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





The Honorable John H. Guion III, Logan County Judge/Executive  
The Honorable Wallace Whittaker, Logan County Sheriff  
Members of the Logan County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Logan County Sheriff's Settlement - 2003 Taxes as of April 5, 2004, and have issued our report thereon dated September 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Logan County Sheriff's Settlement - 2003 Taxes as of April 5, 2004 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Logan County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Berger & Company, CPA, PSC". The signature is written in a cursive, flowing style.

Berger & Company, CPA, PSC

Audit fieldwork completed -  
September 27, 2004



